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## BEFORE THE ARIZONA CORPORATION C

GARY PIERCE  
Chairman  
BOB STUMP  
Commissioner  
PAUL NEWMAN  
Commissioner  
SANDRA D. KENNEDY  
Commissioner  
BRENDA BURNS  
Commissioner

Arizona Corporation Commission  
**DOCKETED**

OCT - 4 2012

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IN THE MATTER OF THE APPLICATION  
OF JOHNSON UTILITIES, L.L.C., DBA  
JOHNSON UTILITIES COMPANY FOR  
APPROVAL OF A NEW NON-POTABLE  
WATER TARIFF

DOCKET NO. WS-02987A-12-0350

DECISION NO. 73521ORDER

Open Meeting  
September 19-20, 2012  
Phoenix, Arizona

BY THE COMMISSION.

**Introduction**

1. Johnson Utilities, L.L.C., dba Johnson Utilities Company ("Company") filed an application on August 2, 2012, with the Arizona Corporation Commission ("Commission") requesting approval of a new non-potable water tariff. The new tariff will enable the Company to provide non-potable water service in limited areas within its certificated area. The general limitations are: i) the Company has an operating non-potable water well in reasonable proximity to the customer's requested point of delivery, ii) the Company has legal access to install the facilities necessary to convey non-potable water from the withdrawal well to the point of delivery, and iii) the Company has sufficient available and uncommitted capacity in the withdrawal well to deliver the requested non-potable water to the customer.

2. The proposed charges will include the monthly minimum charge based on the meter size, plus a commodity charge that will be \$0.84 per thousand gallons or \$273.71 per acre foot,

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1 plus a Central Arizona Groundwater Replenishment District ("CAGR") tax assessment per  
2 thousand gallons, and other applicable taxes and assessments.

3           3.       The Company's current CAGR fees are \$0.84 per thousand gallons in the Phoenix  
4 Active Management Area ("AMA") and \$0.21 per thousand gallons in the Pinal AMA. The  
5 Company makes an annual filing with the Commission to update the CAGR fee. Staff estimates  
6 that the next increase adjustment (due in October 2012) should be about ten percent higher.  
7

8 **Background**

9           4.       The Company had been purchasing non-potable excess Central Arizona Project  
10 ("CAP") water and offering it for sale under its current Non-Potable CAP Water Service Tariff.  
11 The Company has already taken its entire excess non-potable CAP water allotment for the year  
12 and the CAP has advised the Company that it will no longer offer excess CAP water for sale after  
13 December 31, 2012. This current tariff commodity rate is \$0.84 per thousand gallons, but there is  
14 no CAGR fee chargeable as the water is not drawn from wells.

15           5.       The Company has only one customer currently taking service under the non-potable  
16 CAP water service tariff. It is a non-profit homeowners' association located in the Phoenix AMA.  
17 The Company is proposing this new tariff to accommodate this customer. Based on the  
18 aforementioned rates, the customer will pay about double to receive the non-potable well water  
19 instead of non-potable CAP water.

20 **Revenue and Cost**

21           6.       The Company believes that by setting the new tariff rate at the same level as the  
22 current non-potable CAP water rate, it will make the new tariff revenue neutral. Staff does not  
23 agree. In response to a Staff data request, the Company stated that it expects that one other  
24 customer will be interested in the new tariff service but states that current consumption will not go  
25 up and will go down over time as effluent becomes available. Staff believes the new tariff could  
26 possibly affect revenues but the following cost analysis (and Staff's recommendations) should  
27 limit any material change to revenues.

28           7.       In response to a Staff data request, the Company estimated its costs to supply non-  
potable CAP water totaled approximately \$0.83 per thousand gallons which left the Company only

1 a slight profit. Further, the Company estimated that its costs to supply non-potable well water will  
2 total approximately \$1.00 per thousand gallons. Staff did verify that the estimated costs appeared  
3 to be reasonable. This means that the Company intends to sell non-potable water at a loss.

4 8. Staff believes that since the Company will take a loss on providing this particular  
5 service, that it be limited to the one current customer taking non-potable water and the one other  
6 customer (an 18-hole golf course which currently receives treated effluent from the Company's  
7 San Tan wastewater treatment plant) which the Company expects may be interested in the new  
8 service. Staff recommends that no other customer be allowed this tarified service without first  
9 being specifically approved by the Commission.

10 9. Staff also recommends that the Company obtain the Commission's approval to  
11 provide any other customer non-potable water service 60 days prior to commencing that service.

12 10. These restrictions could be lifted after the Company's next full rate case where the  
13 actual costs can be considered along with the appropriate rate adjustments.

#### 14 CONCLUSIONS OF LAW

15 1. The Company is a public water service corporation within the meaning of Article  
16 XV of the Arizona Constitution and A.R.S. § 40-250.

17 2. The Commission has jurisdiction over the Company and of the subject matter of the  
18 application.

19 3. Approval of a new non-potable water tariff is consistent with the Commission's  
20 authority under the Arizona Constitution, Arizona statutes, and applicable case law.

21 4. It is in the public interest to approve the Company's request for a new non-potable  
22 water tariff as discussed herein.

#### 23 ORDER

24 IT IS THEREFORE ORDERED that the application by Johnson Utilities Company for  
25 approval of a new non-potable water tariff is approved as discussed herein.

26 IT IS FURTHER ORDERED that Johnson Utilities Company shall file a new non-potable  
27 water tariff showing a monthly minimum charge based on meter size and a commodity charge of  
28 \$0.84 per thousand gallons plus other applicable taxes and fees effective October 1, 2012.

IT IS FURTHER ORDERED that this tariff applies only to the one current non-potable water customer being served by Johnson Utilities Company and the 18-hole golf course which the Company expects may be interested in the new service.

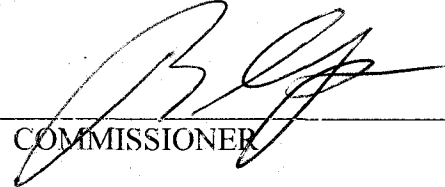
IT IS FURTHER ORDERED that, Johnson Utilities Company obtain the Commission's approval to provide any other customer non-potable water service 60 days prior to commencing that service.

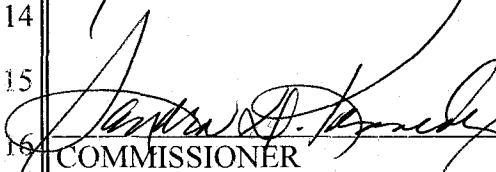
IT IS FURTHER ORDERED that, Johnson Utilities Company notify its one current non-potable water customer of this tariff approved herein by October 1, 2012.


IT IS FURTHER ORDERED that this Decision shall become effective immediately.

**BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

  
CHAIRMAN

  
COMMISSIONER

  
COMMISSIONER

  
COMMISSIONER

  
COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
Executive Director of the Arizona Corporation Commission,  
have hereunto, set my hand and caused the official seal of  
this Commission to be affixed at the Capitol, in the City of  
Phoenix, this 4<sup>th</sup> day of October, 2012.

  
ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

SMO:DWC:sms\RRM

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